

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Strom-Martin Analyst: Kimberly Pantoja Bill Number: AB 1254

Related Bills: See Original Analysis Telephone: 845-4786 Amended Date: 08/16/99

Attorney: Patrick Kusiak Sponsor:

SUBJECT: Business Expense Deduction Conformity/Salmon & Steelhead Trout Habitat Restoration Credit/Increase Amount & Extend Repeal Date

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

X AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

X REMAINDER OF PREVIOUS ANALYSES OF BILL AS INTRODUCED February 26, 1999 AND AS AMENDED June 30, 1999 STILL APPLIES.

OTHER - See comments below.

SUMMARY OF BILL

Under the Personal Income Tax Law (PITL) and the Bank and Corporation Tax Law (B&CTL), this bill would increase the salmon and steelhead trout habitat credit from 10% to 25% for taxpayers other than industrial timber operators. The annual amount of aggregate credit allocation would increase from \$500,000 to \$5 million, and the maximum credit that may be allocated to any one taxpayer would increase from \$50,000 to \$500,000. The sunset date would be extended four years to January 1, 2004.

Under the PITL, this bill would disallow the deduction of membership fees in excess of \$500 paid to any club organized for business, pleasure, recreation or other social purpose. Additionally, under the B&CTL, this bill would conform state law to the federal law disallowing the deduction of certain employee remuneration in excess of \$1 million.

SUMMARY OF AMENDMENT

The August 16, 1999, amendment deleted the B&CTL provision of the bill which would have disallowed the deduction of membership fees in excess of \$500 paid to any club organized for business, pleasure, recreation or other social purpose. This amendment raises a policy concern which is included below. Except for the policy concern and the new revenue estimate, the remainder of the department's analyses of the bill as introduced February 26, 1999, and as amended June 30, 1999, still applies.

Policy Consideration

This bill would disallow a deduction for personal income taxpayers that is allowed for bank and corporation taxpayers. Thus, this bill would provide inequitable treatment among taxpayers.

Board Position:

<u> </u> S	<u> </u> NA	<u> </u> NP
<u> </u> SA	<u> </u> O	<u> </u> NAR
<u> </u> N	<u> </u> OUA	<u> </u> X PENDING

Legislative Director

Date

Johnnie Lou Rosas

8/18/1999

Tax Revenue Estimate

As amended August 16, 1999, this bill would result in the following revenue impact.

Estimated Revenue Impact of AB 1254 As Proposed To Be Amended [\$ In Millions]			
Provision	1999-00	2000-01	2001-02
Trout Habitat Restoration Credit 1/	negligible loss	minor loss	minor loss
Allow club dues up to \$500	\$2	\$2	\$2
Excess remuneration	\$4	\$5	\$6
TOTAL	\$6	\$7	\$8

1/ This provision would provide that up to an additional \$4.5 million in credits could be allocated each year. Negligible loss is less than \$250,000; minor loss is less than \$500,000.

Tax Revenue Discussion

The proposed amendment would reduce estimated revenue gains for the club dues line item from \$6 million to \$2 million as a result of eliminating the B&CTL provision that would have disallowed a deduction of club membership dues in excess of \$500.

BOARD POSITION

Pending.